



Market Typology, Concentration, and Competition of National Media Conglomerate in Indonesia

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Abstract

The economic practices of media industry in Indonesia are inseparable from the pattern of oligopolistic market competition and control. This trend is seen from further centralized market control of media, particularly advertising media in a number of media corporate groups. Media corporate groups apply practices of conglomeration in market control with horizontal, vertical, or diagonal integrated strategy. Criticism on these practices is often expressed, but there is no assessment based on the empirical evidence on the business behavior of media conglomeration. This paper explores the characteristics of media conglomerate by reconstructing the typology of media conglomeration introduced by Richard Bounce: Concentric Conglomerates and Diversified Conglomerates, and three models by Graham Murdock: Industrial Conglomerates, Services Conglomerates and Communications Conglomerates. Six typology models of conglomerate are formed, namely (1) Industrial-Concentric; (2) Industrial-Diversified; (3) Services-Concentric; (4) Services-Diversified; (5) Communications-Concentric; (6) Communications-Diversified. The economic performance of each conglomerate group regarding market concentration and market competition in constructing the market structure of media industry is studied based on the typologies. The study finds a new typology model of media conglomerate and manages to prove that national media conglomerate still dominates the media market in Indonesia.

Keywords: Media Conglomerate, Media Industry, Typology, Market Structure

Abstrak

Praktik ekonomi industri media di Indonesia tidak terlepas dari pola penguasaan dan kompetisi pasar yang oligopolistik. Kecenderungan demikian terlihat dengan semakin terpusatnya penguasaan pasar media, khususnya pasar iklan media pada sejumlah grup korporasi media. Dalam penguasaan pasar, grup-grup korporasi media menjalankan praktik konglomerasi dengan strategi berintegrasi secara horisontal, vertikal, maupun diagonal. Berbagai kritik terhadap praktik konglomerasi media di negeri ini kerap dilakukan, akan tetapi tidak tampak kajian bersandar pada pembuktian empirik terhadap perilaku bisnis konglomerasi media saat ini. Paper ini mengeksplorasi karakteristik dari konglomerasi media, dengan terlebih dahulu mengkonstruksi ulang tipologi konglomerasi media yang dikenalkan Richard Bounce (1976): *Concentric Conglomerates* dan *Diversified Conglomerates*, serta tiga model pengelompokan Graham Murdock (1990): *Industrial Conglomerates*, *Service Conglomerates*, dan *Communications Conglomerates*. Enam model tipologi konglomerasi dibentuk, yaitu (1) *Industrial-Concentric*; (2) *Industrial-Diversified*; (3) *Services-Concentric*; (4) *Services-Diversified*; (5) *Communications-Concentric*; (6) *Communications-Diversified*. Berdasarkan tipologi tersebut, perilaku ekonomi konglomerasi dikaji, baik menyangkut pola konsentrasi pasar (*market concentration*) dan persaingan pasar (*market competition*) dalam membangun struktur pasar industri media (*market structure*). Hasil kajian ini selain menawarkan bentuk baru model tipologi pengelompokan konglomerasi media di Indonesia juga membuktikan sedemikian dominannya pola penguasaan pasar media oleh grup konglomerasi media nasional.

Kata kunci: Konglomerasi, Industri Media, Tipologi, Struktur Pasar.

Introduction

In the last two decades, various media corporate groups in Indonesia compete with their subsidiaries for market control of media industry, both nationally and locally. This situation shows the proliferation of the movement of media capitalism in Indonesia. The movement of media capitalism is inseparable from the ongoing triangular relation between capital, journalism, and country (Dhakidae, 1991). The pattern of triangulation in media industry grows and integrates with the movement of industrial growth in Indonesia and takes place rapidly in the New Order era. Journalism is industrialized and the market becomes the most important goal as the consequence. The capital fully controls the format and the form of journalistic works. De-politicization simultaneously takes place in Indonesian journalism.

Since the format of Indonesian capital is generally concentrated in the country, capital growth in various industries, particularly in the newspaper industry depend on and is controlled by state policy. Consequently, only the format of mass media industry is in accordance with the state policy. It is subject to the control of the country and has a tolerable existence. In the New Order regime, the country appears to be a form of highly powerful and repressive government in politics that infuses its ideology acutely in any format of journalistic work in Indonesia. Interestingly, the country acts in a dualistic step, namely providing economic facilitation and becoming a patron politically. As a result, the press industry in Indonesia grows and prospers economically, but politically decapitated in the function and the role of the press.

Dhakidae concludes that the existence of the press in Indonesia regarding the political role, de-politicization, and re-politicization of journalism entirely depend on the format and power of the country. A weak country will result in journalism with strong political role and capable of constantly strengthening it (re-politicization). On the contrary, a strong country will not result in the triumph of media politics since any attempt to increase the political role of mass media will be dealt with the repressive power of the country. Dhakidae further elaborates the economic and political journey in two formats of industry. *The first format* is occupied by three top Indonesian print media industry, namely *Kompas*, *Sinar Harapan*, and *Tempo*. *The second one* is occupied by *Pikiran Rakyat*, *Suara Merdeka*, *Pos Kota*. The aforementioned newspaper and magazine industries are studied to prove

that the accumulation of capital is coincided with the growth of industry in this country.

The mass media in this study shows a rapid capital growth, allowing them to expand not only as a business entity, but also to transform into a business group whose industrial pattern is integrated horizontally and vertically. In addition, the study also illustrates the control of the country on the political role of the press, eventually showing the submission of the media to the power of the country.

Theoretical Framework

A search on historical journey of Indonesian press shows that asymmetrical political relation between the country and the press has lasted throughout its existence in this country, as outlined by Hanazaki (1998). This asymmetrical pattern also affects the accumulation of capital at the stage of development of the press. Hanazaki divides the development of Indonesian press, including the development of capital management in the media industry as categorized into eight stages.

The First Stage to the Third Stage is known as the colonial era or the initial formation of the press in the structure of the Dutch colonial governance and Japan as well (early 20th century until 1945). Starting from the Dutch printing media by the Dutch colonial government followed by the appearance of local language, Chinese, and Dutch newspapers in the 19th century, political relation between the press and the colonial government clearly showed the control pattern of dominant colonial government. *The Second Stage* gives a slightly different color with the rise of nationalists. It gave birth to a press spreading the spirit of nationalism, referred to the era of the press of political struggle opposing the power of the colonial government. *The Third Stage* occurred in the transitional period (1942-1945) that represented a technical advancement in the management of the press. However, it also started the control of the press in accordance with the emergence of the press permit for publication.

Indonesian Independence provided a new color in the relation between the press and the government. This is *the Fourth Stage* (1945-1957) characterized by the tempestuous spirit of the freedom of the press. However, it was followed by further dilution of the spirit of nationalism and ongoing fierce competition among political forces, changing the press into Partisan Press. *The Fifth Stage* (1957-1965) is referred to the

era of Guided Press in line with the implementation of Guided Democracy, putting the press in the power of the regime and requiring the press to be loyal to the ideology of *Nasakom* (Nationalism, Religion, and Communism) and be a tool to mobilize the masses.

The pattern of the relation between the press and the country was altered by the collapse of the Old Order and the transition to the New Order. The Sixth Stage (1965-1974) is the beginning of the era of governmental transition. At that time, the press got the space for freedom. However, it did not last long since the New Order regime began to implement control on the press and uphold Pancasila Press jargon.

The Seventh Stage (1974-1988) is a dark phase for the Indonesian press. In this era, the government acted coercively in line with the ban on the press. However, the economic existence of the Indonesian press began to be visible in line with the success of the press in industrial practices by forming media conglomerate. The Eighth Stage (since 1989) is an era of political transition, altering the pattern of relation between the press and the country. At this stage, the era of openness was promoted, followed by the rise of the power of civil society and the press. However, there was a ban on *Tempo*, *Editor*, and *Detik*. Nevertheless, the ban on those print media did not make the press cease fighting their political struggle. It was evident from the freedom of the press following the collapse of the New Order regime. Even in its development, the press became the most dominant institution in the control of public opinion in line with the collapse of the political power of the government.

Based on the aforementioned stages, media as a business institution that subsequently become an industry are established since the New Order era or the seventh stage of media development in Indonesia. At this stage, the country acts in a dualistic step, namely providing economic facilitation and becoming a patron politically. As a result, the press industry in Indonesia grows and prospers economically, but politically decapitated in the function and the role of the press (Dhakidae, 1991).

Though the two aforementioned studies are able to map the condition of the print media industry authentically, they are limited in reading the present situation of the media industry in Indonesia. Since the studies focus on the characteristics of the media industry in the New Order era, the significance is only focused on the era. The collapse of the New Order regime followed by political liberalization (including

the freedom of the press) is not always followed by the strengthening of the ideal of journalism in reality. Re-politicization or strengthening the political role of the media has been in progress, but it is more on strengthening the interest of media owners in securing their capital.

On the other hand, the limitation of period in both studies also affects the focus of observation on the rate of movement of industrial capital in print media industry. In fact, at the end of the New Order era and after political liberalization as well as economic crisis in 1998, there is massive rate of movement in the media industry outside the print media. The emergence of new industrialist-capitalist media in 1990 to 2000 such as Chairul Tanjung with Trans Corp (CT Corp) and Harry Tanoesoedibjo with Global Mediacom (Group Media Nusantara Citra/MNC) who were originally engaged in electronic media (television industry) and further expand their network to the control of the print media and build a network of converging media industry significantly alters the map of media industry and the pattern of capital management in the country.

As an illustration, in 2012, two contemporary studies were intended to map the media in Indonesia by the Centre for Innovation Policy and Governance (CIPG), and Merlyna Lim revealed that there are 12 media conglomerates controlling almost all media channels in Indonesia, including broadcast, print and online media-- such as Global Mediacom (MNC), Kompas Gramedia Group, Elang Mahkota Teknologi (EMTEK), Visi Media Asia, Jawa Pos Group, Mahaka Media, Trans Corp (CT Corp), Berita Satu Media Holdings, Media Group, MRA Media Group, Femina Group, and Tempo Inti Media.

When elaborated, each of them has dozens and even hundreds of networked media. Global Mediacom has three free-to-air (FTA) television channels, the greatest number owned by a media group, as well as 20 local televisions and 22 radio networks under its subsidiary, Sindo Radio. Jawa Pos Group has over 171 print media companies, including Radar Grup. Kompas, the most influential newspaper in Indonesia, has expanded its network by establishing a content provider, like Kompas TV, in addition to 12 radio broadcastings under its subsidiary Radio Sonora and 89 other print media companies. Visi Media Asia has developed into a powerful media group with two terrestrial television channels (ANTV and TVOne) as well as rapidly growing online media Vivanews.com.

A media company under Lippo Group, Berita Satu Media Holding, has established Internet Protocol Television (IPTV) Berita Satu TV, an online media channel beritasatu.com and a number of newspapers and magazines (Nugroho, Putri, and Laksmi, 2012).

Any developments and changes taking place in the industrial landscape of Indonesian media also change the characteristic and typology of media conglomerate in the country. The problem is, with all the industrial dynamics taking place massively, what is the accurate classification model to depict the economic characteristics of current media conglomerate in Indonesia?

In terms of differentiation of business development pattern and strategy, there are two characters of conglomerate, namely: Concentric Conglomerates and Diversified Conglomerates (Bounce, 1976). Concentric Conglomerate is a corporation whose business core is engaged in the media industry (such as broadcast industry), but it expands to other media industries horizontally or vertically with the aim of strengthening the controlled media industry. On the other hand, Diversified Conglomerate is a corporation based on the media industry, but it diversifies into other industries outside the media industry.

The classification model by Bounce is dynamic since the typology is able to describe the strategy of the movement of changes in a corporate media. However, this model cannot fully explain the complete picture of the characteristics of media conglomerate in Indonesia since it does not explain in details, the background of each corporation before and after its integration into media conglomerate. The industrial background before or after the corporate actions carried out, is important to know in order to understand the diversity and the (economic or political) motive of interest of industrial participants to engage in media industry. Concretely, this model is incapable to explain why several capitalist-industrialists previously engaged in non-media industries such as manufacturing or services (Global Mediacom Group with Hary Tanoesoedibjo, Trans Corp with Chairul, etc.) chosen to be a media conglomerate.

Graham Murdock (1990) also classifies and builds a model of media conglomerate by taking the example of a conglomerate in Italy. He categorizes conglomerate into three sections based on the characteristics of the background of an industry before expanding into the media industry and subsequently forming a conglomerate. *The first one is Industrial*

Conglomerates. The examples are a corporation of automotive industry named Fiat that develops the industry by controlling the two Italian major newspapers, namely *La Stampa* and *Corriere della Sera*, and a business group of food and chemical industries named Ferruzzi-Montedison that controls *Il Messaggero* and *Italia Oggi*. These examples show how an industry outside the media industry expands into the media industry.

The second one is Service Conglomerates. A conglomerate that was originally a service industry and further invested in the media industry was exemplified by Murdock in Berlusconi's business empire and Fininvest group. Initially, these conglomerates were involved in the service industry such as finance, real estate, and retail. In its development, Fininvest expands into television industry, print media, and advertising. *The third one is Communications Conglomerates.* The characteristic of this conglomerate according to Murdock focuses on the media industry and further expand in the same industry both vertically and horizontally. The examples are News Corp International owned by Rupert Murdoch, Maxwell Communication Corporation, and Bertelsmann. The expansion is conducted to establish synergy between their various corporations.

The classification by Murdock is able to uncover the background and motive of the industry before establishing a media conglomerate. However, this method is still relatively static because it is incapable to explain further movement of the conglomerate: whether the subsequent actions will remain on the managed industry or diversify into other industries.

The classification model by Murdock is only able to provide background information on Global Mediacom and Lippo originally engaged in service industries such as finance, real estate, or retail. However, it is unable to explain how Global Mediacom chooses to concentrate on the media industry in line with the acquisition and establishment of business units in media industry rather than other industries. In addition, the classification model by Murdock cannot fully explain how Lippo Group originally engaged in service industry expands into media industry and eventually expands into non-media industries, such as retail, finance, and others.

Material and Methodology

This study is carried out related to the limitation in mapping typology of all economic characteristics

of media conglomerate in Indonesia. As an initial step, this study attempts to complement the limitations of the various aforementioned models and tries to construct a new typology of media conglomerate that is able to describe the whole dynamics of media conglomerate in Indonesia. Furthermore, based on the typology formed, various business characteristics of practiced media industry are explored; particularly regarding the pattern of formed industrial market structure. These steps are expected to be able to find out the extent of the concentration patterns of the economic power in the structure of conglomerate formed and describe the reduction of the role of the ideal media of the present day.

The explorative-analytical study of capitalism on media in Indonesia is carried out based on the economic analysis of media both in constructing classification typology of media as well as understanding the economic behaviors and characteristics of media conglomerate. The analysis is carried out in two stages, namely: (1) constructing a typology of national media conglomerate and classifying all national media conglomerates into the new formed model, (2) examining the movement of capital accumulation through various corporate actions in order to understand the development of media conglomerate in Indonesia and the formed market structure.

The classifying typology model of media conglomerate is constructed from the synthesis introduced by Richard Bounce (1976), namely: Concentric Conglomerates and Diversified Conglomerates, as well as three models by Graham Murdock (1990), namely: Industrial Conglomerates, Services Conglomerates and Communications Conglomerates. The synthesis results in six models of conglomerate suitable to be practiced to understand the characteristics of the classification of media conglomerate in Indonesia, namely: (a) Industrial Concentric Conglomerates (ICC), (b) Services Concentric Conglomerates (SCC), (c) Communications Concentric Conglomerates (CCC), (d) Diversified Industrial Conglomerates (IDC), (e) Services Diversified Conglomerates (SDC), (f) Conglomerates Diversified Communication (CDC).

Media economics is a study specializing on how the media industry manages scarce resources in order to produce the content distributed to fulfill the wishes and needs of the consumers (Albarran, 1996: 2010). In practice, the study of media economics applies three reciprocal analytical frameworks, namely

Market conduct-Market structure-Market performance. These analytical frameworks are essentially focused on how a business unit within the media industry establishes pricing policy, product policy, and market conduct in response to particular market structure: market concentration and competition. Furthermore, they are focused on how existing policies affect market performance such as efficiency, productivity, product quality, etc., that eventually can affect the market structure.

Understanding the actions of the respective national media conglomerate in market control of media industry, it is inseparable from the various examinations regarding the formed market structure. In this regard, there are six factors applied to understand the formed market structure of media:—ownership concentration, market concentration, pattern of vertical integration, product differentiation, established barriers to entry, and the pricing structure of respective industry.

Because of the specific theme of the discussion and various limitations in the process of data collection, this study does not address the overall model of analysis of Market Conduct-Market structure-Market performance, yet focuses on the depiction of market structure in terms of market concentration and market competition, formed from each media conglomerate in Indonesia. In this study, the measurement of concentration and competition pattern is carried out specifically to the advertising of media industry -- namely newspapers and television. To observe the media industry in terms of market concentration and competition, Concentration Ratio (CR4) and Herfindahl Index (HI) are applied on the four top actors of media advertising.

Result and Discussion

Various studies about media reveals the journey of media in Indonesia growing as a business institution within a corporate group since the New Order era and experiences de-capacitating of press function and role in line with the orientation of market control in the present era. The media inventory conducted by the Centre for Innovation Policy and Governance (2012) indicates that there are currently at least twelve national private media groups integrating horizontally, vertically, or diagonally. They are Global Mediacom (MNC), Kompas Gramedia Group, Elang Mahkota Teknologi (EMTEK), Visi Media Asia, Jawa Pos Group, Mahaka Media, Trans Corp (CT Corp),

BeritaSatu Media Holdings, Media Group, MRA Media Group, Femina Group, and Tempo Inti Media. According to Lim (2012), in addition to twelve national media conglomerates, there is a media conglomerate centralized in Bali, Bali Pos Group, that has distributed subsidiaries in various provinces.

Two aforementioned studies are only able to archive the media conglomerates in Indonesia. However, they are unable to describe the background of their establishment and the dynamic of ownership of the business units controlled by respective industry. Based on the aforementioned inventory, the media conglomerates can be reclassified based on the background and the establishment into two classifications—the *first one* is the media groups emerging and becoming a conglomerate since the early New Order regime. *The second* is the media groups emerging in the-late-and-post New Order era. This sorting is important considering the quite contrast differences between the original industry and the rate of development of respective business group in the future. Media conglomerates emerging since the beginning of the industrialization of media in the New Order era have a background of print media industry or radio industry. On the other hand, media conglomerates emerging in the late and post New Order era have a background of television media industry.

Both types of conglomerates expand their business and integrate horizontally, vertically, or diagonally. Therefore, the ownership of the media from respective conglomerate groups is relatively similar, either in print, television, radio, or online media. However, the revenue of respective groups will be different, considering the conglomerates emerging in the late-and-post New Order era which is dominant in television industry and get more revenue in line with the larger proportion of the distribution of expenditure for television advertising than the print media advertising. The capital used by television industry in its development seems larger than the capital used by print media industry.

By simply dividing the two characteristics of conglomerate group based on the starting point of the New Order regime, the overall inventory of media corporations becoming conglomerates is presented in Table 1.

In the table, it is obvious that each group of media corporations becomes conglomerates by performing various business integration practices to various media platforms, either vertically, horizontally or

diagonally (cross media integration). However, the background of the establishment and the dynamics of ownership as well as the development of respective conglomerate are unexplained. Therefore, the journey of the media industry seems to be static. By classifying the characteristics of the industry based on its emergence and dynamic of ownership, each aforementioned media conglomerate can be explained as follows.

Kompas Gramedia Group started in 1963 with the publication of *Intisari* Magazine. The two founders, PK Ojong and Jacob Oetama, along with several national political figures, founded *Kompas Daily* in 1965. Furthermore, they had developed their business horizontally in 1970s to 1980s by establishing various print media in the sub-group of magazines and tabloids. Vertically, they built a printing and publishing. Diagonally, they established a media empire (Kompas Gramedia Group) by establishing a network of Gramedia Bookstore, Sonora radio, Kompas TV, Kompas online, to the business units outside media such as Santika Hotel, event organizer, and Multi Media Nusantara University.

Observed from the background of the establishment using the classification model by Murdock, Kompas Gramedia Group is categorized as Communications Conglomerate because the founders are professional journalists who later founded the press publishing. However, observed from the classification by Bounce, this group is categorized as Diversified Conglomerate. The capital continues accumulating not only through the establishment of the media business institutions, but also various other industries, such as hotel, trading, and education. Based on the models, Kompas Gramedia Group can be categorized as a Communications Diversified Conglomerate, namely a conglomerate derived from the media industry diversifying into other industries.

Tempo Inti Media is the national media established in the early New Order era in line with the establishment of *Tempo* Magazine in 1971 initiated by Goenawan Mohammad, Harjoko Trisnadi, Fikri Jufri, Christianto Wibisono, and Usamah. The founding fathers of this magazine are also journalists. Over time, Tempo Group integrated horizontally. However, compared to Kompas Gramedia group, Tempo Group was slower. The ban on Tempo Group in 1994 broke down all its resources. However, in the next period of journey, particularly in the Post New Order era, Tempo has rebuilt its media business to various

Table 1
National Media Conglomerates Based on the Emergence and Pattern of Business Expansion

No	Media Group	Owner	Television	Radio	Print Media	Online Media	Others
Media Conglomerates Emerging in the Early New Order Era							
1	Kompas Gramedia (1963)	Jacob Oetama Families, PK Ojong Families, etc.	23 TV networks, 1 pay TV	12 radio networks	23 newspapers, 16 magazines and tabloids	3	Printing, Book Publishing, Book Store, Real Estate, Event Organizer, Education, Manufacturing
2	Tempo Inti Media, Tbk (1971; 1996)	Tempo Foundation, Jaya Raya Foundation, 21 June 1994 Foundation, PT Grafiti Pers, Public.	1	n/a	8 magazines, 1 tabloid	2	Event Organizer, Integrated Marketing Communication, Data Center, Printing.
3	Jawa Pos Group	Dahlan Iskan, Grafiti Pers, etc.	46 local TVs and networks	n/a	127 newspapers, 2 magazines and 13 tabloids	4	Printing, Paper Mill, Power Plant
4	Femina Group	Pia Alisjahbana, Mirta Kartohadiprodjo	n/a	2	13 magazines	1	Publishing, Talent Agency, Production House, Event Management, Community
5	Mahaka Media Group (1992, 2002)	Erick Thohir, Public	2 local TVs	19 radio networks	2 newspapers	5	Event Organizer, PR Consultant, Advertising, Publishing, Animation Production
6	Media Group	Surya Paloh, etc.	1 TV	n/a	2 newspapers	2	Hotel network, Catering Service, Mining and Energy
7	Mugi Reka Abadi (MRA Group)	Dian Muljani Soedarjo, Adiguna Soetowo	n/a	5	9 magazines	1	Retail, Restaurant, Real Estate, Automotive
8	Visi Media Asia (1993, 2011)	Bakrie Families, Public	2	n/a	n/a	1	Mining, Real Estate, Telecommunication, Agribusiness
Media Conglomerates Emerging in the Late and Post New Order Era							
9	Global Mediacomm & MNC Group (1993, 1997)	Hary Tanoesoedibjo, Public	4 TVs, 3 Pay TVs	4 radio networks	1 newspaper, 3 tabloids, 3 magazines	1	Content Production, Talent Management, Financial and Banking Service, Real Estate, Telecommunication
10	Elang Mahkota Teknologi (1983, 2002)	Sariatmaadja Families, Public	3 TVs, 1 pay TV	1	n/a	2	Production House, Telecommunication, IT, Hospital, Online Trading
11	CT Corp/ Trans Corp	Chairul Tanjung	2 TVs, 1 pay TV	n/a	n/a	2	Production House, Talent Agency, Theme Park, Banking, Real Estate, Retail
12	Beritasatu Media Holdings	Mochtar Riady/ Lippo Group	1 TV, 1 pay TV	n/a	3 newspapers, 4 magazines	1	Real Estate, Telecommunication, Education, Hospital

Source: Compiled from various sources

media platforms, such as *Koran Tempo*, *Tempo online*, to several business units supporting the existence of its media industry. In terms of ownership, the company was turned into a public company in 2001.

Considering the background of the establishment, Tempo Group can be classified as Communications Conglomerate, namely a conglomerate founded from the business of communication. However, since Tempo Group only focuses on media industry, it tends to be categorized as Concentric Conglomerate. Based on both classifications, it can be concluded that Tempo Group is Communications Concentric Conglomerate, namely a corporate group originated from communication industry that has expanded specifically (concentrated) in a similar industry.

On the other hand, Jawa Pos Group was originally active locally in Surabaya, East Java and it was further expanded nationally through the publication of *Jawa Pos Daily*. *Jawa Pos* (*Djava Post*) was originally founded in 1949 as a newspaper by Suseno Tedjo, whose background was a film producer. However, in 1982, PT Grafiti Pers (the publisher of Tempo magazine) took over so that Jawa Post was under the control of Dahlan Iskan. Since then, the successful story of the expansion of Jawa Pos is often heard. In 1987, the media group was able to establish Jawa Pos News Network (JPNN) with a local media network (mostly named Radar) to over 150 media spread in every region of Indonesia. Having had not stopped in expanding the business horizontally, *Jawa Pos* that is identical to Dahlan Iskan built a television network named Jawa Pos TV. The vertical pattern of integration was applied by this conglomerate in building a paper mill and power plant.

Regarding the background of the establishment, *Jawa Pos* is a media conglomerate engaged in the communications industry since its very beginning. The founders and the background of the media are derived from media industry. Therefore, it can be categorized as Communications Conglomerate. In its journey, the conglomerate has grown into various industries. Although they expand mostly in media industry, they also expand in energy supply. Therefore, Jawa Pos Group can be categorized as Communications Diversified Conglomerate.

In the New Order era, the market control of media industry is segmented by the types of the media. Kompas Gramedia Group controls newspapers, Tempo Group controls magazines, Jawa Pos Group controls local media, and Femina Group controls wom-

en's magazine for teens and adults. *Femina*, *Ayah Bunda*, and *Gadis Magazine* become an attached brand of Femina Group. The momentum of birth for *Femina* in 1972 was the first women's magazine in Indonesia. In its development, the group controlled by Pia Alisjahbana has expanded not only horizontally, but also integrated into online media through a variety of vertical business activities such as printing to support its magazines. In addition, there are several types of business pioneered outside the media industry. Based on the background of the establishment, *Femina* can be categorized as Communications Diversified Conglomerate.

In the market of radio industry, there are two national media conglomerates developing and competing with each other, namely Reka Mugi Abadi (MRA Group) and Mahaka Media Group. Both conglomerates do not focus only on radio, but also on other media industries by means of the acquisition of existing media. Mahaka Media Group took over the management of *Republika Daily* and subsequently engaged into television industry, advertising, and event organizer. MRA Group does not only focus on radio but also engage in the development of print media industry, particularly in establishing the entertainment magazine industry.

In terms of the background of the establishment, both groups are relatively similar: founded by business entities and the founders are not from the media industry. Both MRA and Mahaka Group came from business services taking over the media and further developing and diversifying into other industries. In the typology of conglomerate, the two media groups are more accurately categorized as Services Diversified Conglomerate.

In addition to several aforementioned media conglomerates, there are also media conglomerates established in the New Order era without press background. Media Group known as *Media Indonesia Daily* that subsequently controls Metro TV is an example. Surya Paloh, the major shareholder of this conglomerate was formerly known as a businessman engaged in hospitality industry and a leader of a youth organization. He founded Surya Persindo in 1985 by cooperating with Bimantara Group owned by Bambang Trihatmodjo. He also founded *Prioritas Daily* that was banned in 1987. In 1989, he managed *Media Indonesia*, a newspaper founded by Teuku Yousli Shah in 1969. Furthermore, he had also developed various local print media, most of which do not

operated anymore. This business group does not only focus in the print media, but also in television, media online and other industries. Based on the typology of media conglomerate, Media Group can be categorized as Services Diversified Conglomerate.

In addition to Media Group, there is also a media conglomerate named Visi Media Asia founded by a national conglomerate of Bakrie family (Bakrie & Brothers). The business group engaging in coal mining, piping, and also real estate industry started to control the media industry by taking over the management of media such as *Pelita Daily* in 1990. Previously, Aburizal Bakrie and Fadel Muhammad, one of the group leaders of Bukaka, manage *Warta Ekonomi* and *Mobil Motor* magazines.

The journey of Bakrie families in the print media industry is not quite successful. However, the control over television industry continues to grow in line with the control of ANTV and TVOne (previously named Lativi owned by a businessman named Abdul Latif). Observed from the history of this media conglomerate, Visi Media Asia is classified as a conglomerate coming from industry or Industrial Conglomerates. Furthermore, the conglomerate continues to accumulate its capital in the media industry and diversify in other industries. Thus, the typology of this conglomerate group is Industrial Diversified Conglomerate.

From the research findings, it is obvious that media conglomerates emerging after the late New Order era are relatively more dynamic, seen from the entry of new businesses actors in media and a wide range of corporate actions. Global Mediacom Group has the most dynamic development. Global Mediacom is in charge of the media business based on the content and advertisement under MNC. In addition, the group also has pay-TV and supporting media business as well as infrastructure.

How the group was initially engaged in the media is inseparable from the ownership of RCTI, the free to air (FTA) station TV, by Bimantara Citra business group owned by Bambang Trihatmodjo, one of President Suharto's sons. In 1997, MNC was established with Hary Tanoesoedibjo was presented as the President Director. In 2007, MNC went public, but still was under the control of Global Mediacom. The group is able to control various existing television stations such as Global TV and TPI and it has later changed into MNC TV. This attractive group has expanded vertically, horizontally, and diagonally,

claiming to be "Southeast Asia's Largest and Most Integrated Media Group".

In terms of the background of its establishment, this corporation doesn't have media background. Both Hary Tanoesoedibjo and Bambang Trihatmodjo are businessmen greatly involved in service industries such as financial services. Therefore, the business group can be categorized as Services Conglomerate. However, the business group is also classified Concentric Conglomerate since it has expanded into mostly concentrated areas and supporting communication industries. Thus, in the typology of media conglomerate in Indonesia, this group can be categorized as Services Concentric Conglomerate.

Similar to Global Mediacom, Elang Mahkota Teknologi (EMTEK) does not originally engage in the media industry. EMTEK owned by Suryaatmadja family since 1983 was established as a company engaged in the service of personal computers. Presently, it has expanded into media, telecommunication and IT solutions. Suryaatmadja family is also known as a shareholder of London Sumatra plantation industry. However, the background of the management of the media began in 2002 after they took over the shares of SCTV from Henry Pribadi, Peter Gontha, and Sudwikatmono family and expanded further by acquiring Indosiar station TV in 2011 from Salim family and setting up various businesses classified as horizontal, vertical, and diagonal integration. Since 2010, EMTEK has become a public company. Based on its history, EMTEK can be categorized as Industrial Concentric Conglomerate.

Trans Corp (CT Corp) is identified with the name of Chairul Tanjung, a businessman and former Coordinating Minister for Economic Affairs in 2014. Prior to managing the television station, he was known as an entrepreneur in the real estate and financial services. In 2001, Trans TV aired. This media group has expanded not only in television, but also in media online. The latest development shows that Trans Corp is not only growing in the media industry, but also in retail industry. Therefore, Trans Corp can be classified as Services Diversified Conglomerates.

Trans Corp is not the only media conglomerate established by business actors who have been previously known in non-media industry. BeritaSatu Media Holdings established since 2011 is also a company engaged in the media founded by a business conglomerate, Lippo Group. Previously, the company was under Globe Media Group. In 2011, the group

Table 2
Typology of Media Conglomerate in Indonesia

No	Typology of Conglomerate	Conglomerate Group	The Characteristics of Business Organization
1	Communications-Concentric	Tempo Inti Media	Starting from <i>Tempo</i> magazine, expanding into similar industry: <i>Koran Tempo</i> , TV, Tempo.co.id, etc.
2	Communications-Diversified	Kompas Gramedia	Starting from <i>Intisari</i> and <i>Kompas</i> , expanding into various print media, TV, Radio, Online, Book, and others such as hotels, toll roads, etc.
		Jawa Pos	Starting from <i>Jawa Pos</i> , expanding into print media, TV, online, and others such as real estate.
		Femina	Starting from <i>Femina</i> magazine, expanding into print media, radio, community management, and others such as the fishing industry.
		Bali Post	Starting from the <i>Bali Post</i> , expanding into a variety of print media, radio, and TV, and others such as restaurants, cooperatives, and souvenirs center.
3	Industrial-Concentric	Elang Mahkota Teknologi (EMTEK)	Starting from the computer industry, taking over SCTV and expanding into TV, online, and further concentrating in the management of digital media, etc. Media becomes the main source of economic capital.
4	Industrial-Diversified	Visi Media Asia	Starting from piping industry, expanding into TV, Online, and others such as real estate, mining, etc..
5	Services-Concentric	Global Mediacom (MNC)	Starting from the financial industry and investment, taking over RCTI, expanding into TV industry, print media, and others. Media is a major source of economic capital.
6	Services-Diversified	Media Group	Starting from hospitality and catering service, taking over <i>Media Indonesia</i> , expanding into TV and other industries.
		Trans Corp	Starting from exporter and banking and financial services, establishing Trans TV, expanding in TV, online, and others such as real estate, finance, retail, etc.
		BeritaSatu Media Holdings	Starting from the banking industry, developing and taking over print media, TV, online, and investing in real estate, hospitals, retail, etc.
		Mahaka Media	Starting from the restaurant services, taking over <i>Harian Republika</i> , expanding into TV, advertising, and others such as sports industry, etc.
		Mugi Reka Abadi	Starting from infrastructure, establishing restaurant, radio, magazine, investing its capital in real estate, hotel, and food and beverage.

Source: Compiled from various sources

bought Beritasatu.com, a news site already operated in 2010. Under Lippo Group, this group has conducted various expansions by taking over historical newspaper *Suara Pembaharuan* (previously considered as a replacement for *Sinar Harapan*) and various newspapers and magazines. This conglomerate has also converged with cable television and internet service providers. Outside the media industry, Lippo Group develops a variety of businesses in hospital, hotel, school, finance, and real estate. Therefore, BeritaSatu Media is categorized as Services Diversified Conglomerate.

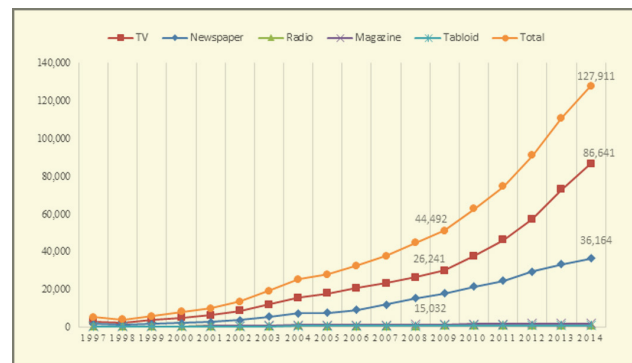
Based on the aforementioned description, media conglomerates in Indonesia can be categorized in six new typologies as follows (Table 2). The table shows that most of media conglomerates emerging in the New Order era (except Tempo Group) are categorized as Communication-Diversified Conglomerate. It means that the conglomerates choose to develop their business by not relying on new businesses in the industry, but diversifying into other industries. On the contrary, media conglomerates emerging in the late or post New Order era (Global Mediacom and EMTEK) have a tendency to focus on the media industry. It leads to a new interesting problem to study, associated with rational arguments strengthening the difference between the selections of respective media conglomerates.

The Pattern of Concentration and Competition of National Media Conglomerate

There are six typologies differentiating the history of the establishment, the background of the emergence and the expansion of the capital of media conglomerates. In the market of media industry, media conglomerates compete with each other and form a concentration pattern of market control of the industry. The market of media industry can be divided into content market consumed by readers and geographic market that in turn serves as advertising (Picard, 1989; Albaran, 1996). This study specifically inspects the media advertising (Figure 1).

From time to time, the data show highly significant growth in media advertising. The total expenditure of media advertising in 1997 (based on gross rate card) is IDR 5 trillion and it increases into IDR 37.3 trillion in 2007. The total expenditure increases into IDR 127.9 trillion in 2014, spread in television, newspapers, radio, and outdoor media. Television has the largest share up to 52% -70% of the total value of ad-

Figure 1
Media Advertising Expenditure 1997-2014



Source: Adapted from Nielsen Media Research (1997-2016)

vertising. Television reaches IDR 2.7 trillion in 1997, IDR 86.6 trillion in 2014, while newspapers reaches IDR 1.5 trillion in 1997 and IDR 36.2 trillion in 2014.

With the constant increase of the distribution of media advertising expenditure, how much the extent of the ongoing concentration of control and the pattern of competition from respective national media conglomerate in gaining advertising as a major source of the revenue? The study on the pattern of market concentration and competition in advertising shows a dynamic pattern of market concentration from time to time depending on the type of the media industry (Table 3).

Based on the table, the concentration of advertising in media industry is specifically different depending on the type of industry. In the advertising of print media, the market concentration is restricted to Kompas Gramedia and Jawa Pos Group. Both business groups are able to control more than half of the newspaper advertising since 2007.

In 1997, the concentration pattern of advertising looks different, where Jawa Pos Group is far below Kompas Gramedia. At that time, the pattern of market concentration is still moderate. In addition to Kompas Gramedia, there are different groups of newspapers such as *Suara Pembaharuan*, *Bisnis Indonesia*, and several local newspapers such as *Pikiran Rakyat*, *Bali Pos*, *Suara Merdeka*, capable to control advertising significantly. Over time, these newspaper groups lose control, while Jawa Pos Group further widens its market penetration by establishing local newspapers *Radar* and Kompas Gramedia establishes various local papers named *Tribun*. Both groups are able to control local advertising in various regions.

Table 3
Market Concentration of National Media Industry 1997-2014

No	The Market of Media Industry	Concentration Ratio (%)			Description
		1997	2007	2014	
1	Newspaper Advertising				Change from Moderate Concentration (CR4 33% -50%) to High Concentration (CR4> 50%)
	Kompas-Gramedia Group	21.3	21.2	26.0	
	Jawa Pos Group	9.2	33.3	33.4	
	Global Mediacomm (MNC)	-	2.3	4.1	
	Media Group	5.5	3.3	1.5	
	Others	64.0	39.9	35.0	
		100.0	100.0	100.0	
2	Television Advertising				High Concentration CR4>50%
	Global Mediacomm (MNC)	46.4	33.9	43.3	
	EMTEK	38.8	22.0	22.2	
	Visi Media Asia	14.8	13.2	14.7	
	Trans Corp	-	22.8	17.2	
	Others	0.0	8.1	2.6	
		100.0	100.0	100.0	

In recent years, the emergence of Global Mediacom Group (MNC) through *Sindo* newspaper begins to take a small portion of national advertising (4.1%). However, the existence of this newspaper of the overall newspaper advertising is still unable to change the concentration pattern of market control. The concentration ratio CR4 shows that more than 50 percent of the market is dominated by these four groups. It also shows notably high market concentration. Therefore, it can be said that the concentration pattern of market control for newspaper advertising moves from moderate to high concentration controlled by only two media conglomerates. Thus, the concentration map of market control becomes higher, concentrated on several media conglomerates only.

Generally, the concentration pattern of market control in television advertising is not different. The structure of market concentration is high and controlled by a minority of market participants. The concentration pattern of television advertising is still higher because of the larger proportion of control over time. Since 1997, before the group was controlled by Hary Tanoesoedibjo, until today, Global Mediacom Group (MNC) has controlled more than a third market advertising (and even up to 40%). Meanwhile, in the newspaper industry, none of the conglomerate groups of newspaper are able to control up to a third of total advertising.

Overall, the change in concentration pattern of television advertising is relatively static. The market control is highly concentrated on a small number of market participants. However, the emergence of new

market participant such as Trans Group Corp with its two national television stations is able to reduce the control of other market participants only such as EMTEK and Visi Media Asia Group. In fact, the emergence of various TV networks as well as local TV controlled by Jawa Pos Group and Kompas Gramedia has not been able to change the control of advertising by Global Mediacom, EMTEK, Trans Corp, and Visi Media Asia.

With relatively high concentration pattern of market control, the market structure of the media industry in this country tends to be relatively closed and less competitive, because the market control is concentrated on several market participants only owned by media conglomerates. So far, it is certain that none of the new market participants (outside the national media conglomerates) is adequately successful to change the configuration of formed market concentration. The established barrier to entry in this industry is so solid and does not leave many opportunities for market participants outside the media conglomerates.

The tendency of closed and less competitive market structure in the media advertising is strengthened by the competition pattern. Herfindahl Index (IH) on newspaper and television advertising shows figures above 0.2 and below 0.7, indicating that the pattern of market competition of media industry in this country tends to be oligopolistic (Table 4).

Based on the research findings shown in Table 4, there is no visible change in the competition pattern of advertising since 1997. The advertising in news-

Table 4
The Pattern of Market Competition of National Media Industry

No	The Market of Media Industry	Competition Pattern (Herfindahl Index)			Description
		1997	2007	2014	
1	Newspaper Advertising				Oligopoly (HI > 2 and < 0,7)
	Kompas-Gramedia	0.045	0.044	0.067	
	Jawa Pos Group	0.008	0.110	0.111	
	Global Mediacomm (MNC)	-	0.0005	0.001	
	Media Group	0.003	0.001	0.0002	
	Others	0.41	0.159	0.122	
	Total	0.46	0.31	0.30	
2	Television Advertising				Oligopoly (HI > 2 and < 0,7)
	Global Mediacomm (MNC)	0.22	0.114	0.187	
	EMTEK	0.15	0.048	0.049	
	Visi Media Asia	0.02	0.017	0.021	
	Trans Corp	-	0.051	0.029	
	Others	0.0	0.006	0.0006	
	Total	0.39	0.39	0.29	

papers and television industry does not move from oligopolistic market. It shows that the competition pattern in controlling advertising only takes place on several participants, namely among conglomerates. In the control of newspaper advertising, the competition pattern of advertising only occurs in two media conglomerates, namely Jawa Pos Group and Kompas Gramedia. On the other hand, even the competition for television advertising looks quite dynamic (in line with the emergence of new industry participants such as Trans Corp) among national TV conglomerates.

Conclusion

From various aforementioned descriptions, the conclusion is as follows: *First*, changes in macro-political conditions in the country are followed by changes in the pattern of media industry. Since the New Order regime, the country has provided various facilities to the development of the operating media industries, i.e. limitation of regulation in licensing press and publication (as a step to strengthen the legal barriers to entry so that the operating newspaper will be unrivaled by the emergence of new mass media), limitation of the proportion of news and advertising (so that each newspaper will develop and will not

concentrated only in one newspaper), and protection against the entry of foreign investment to the mass media in this country.

Political liberalization in 1998 changes the configuration of media industry. The new media participants emerge and in many opportunities only focus in the media industry rather than in their previous industry. It leads to the emergence of new media conglomerate. However, in their development, the pattern of media conglomerate is different compared to the previous model of media industry. There are six models of conglomerate, namely: Industrial Concentric Conglomerates, Services Concentric Conglomerates, Communications Concentric Conglomerates, Industrial Diversified Conglomerates, Services Diversified Conglomerates, and Communication Diversified Conglomerates.

Based on the typology of the conglomerate, media conglomerates emerging and developing in the New Order era (Kompas Gramedia, Jawa Pos Group, etc.) tend to diversify into other industries than concentrate on the media industry. On the other hand, media conglomerates emerging in the late or post New Order era (Global Mediacom and EMTEK) tend to concentrate on the media industry.

More in-depth studies are required to address the problem. It also shows the limitation of this study. However, in terms of business economics, the indication of less opportunity to gain larger additional economic value in the print media industry can be taken into consideration to diversify into different industries. On the other hand, the significant economic additional value in the television industry attracts industry players to further concentrate in the television industry.

Second, the typology of media conglomerate in Indonesia is followed by the corporate actions of respective conglomerate, whether horizontally, vertically, or diagonally (cross media). The measurements to widen the range of business are carried out in economic standpoint of media to create market control. It is evident in line with the increasing concentration of market competition in Indonesian media. For example, the established market structure for newspaper and television industry is highly concentrated and the competition pattern is oligopolistic. This kind of market structure indicates that the market of media industry in this country is ruled by two to four conglomerates. It implicates the tendency of a closed and uncompetitive market of media industry that does not economically facilitate the new market participants in the media industry.

In this circumstance, the market movement of the media industry increasingly concentrated in the perspective of political economy is associated with the threat to the diversity of media content (media pluralism) as well as the democratization processes in society. In the practice of industry, media pluralism is often at odds with the economic motives of media capitalists. The interest of the media capitalist is to expand the market control and influence through corporate actions in the form of expansion to other industries.

This study is limited to the inspection of media industry from the economic perspective of media industry limited in connecting with the verification of a threat to pluralism and democracy. In the journey of the media industry in this country, the threat to pluralism, particularly political pluralism, begins to unfold in line with the interests of media owners who seems to be dominant and systematically realized through various media networks under their control. The contrast example is the dispute in both legislative and presidential election in 2014 showing how media owners controlled and directed the content of media

for their political interests. In-depth and comprehensive study is required to address the limitations of this study.

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